

JAPAN

Supreme Court rules on cross-border trade secret case

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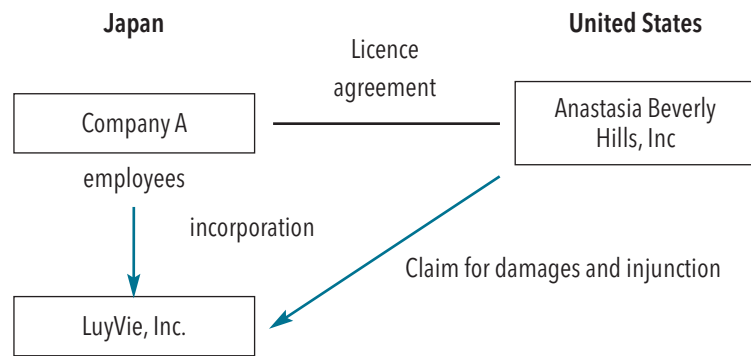
Cross-border trade secret leakage has become common due to an expansion of international trade and exchange of human resources. The Supreme Court has clarified the criteria for recognising and executing a foreign judgment where a US company sought in the Japanese court the execution of a US judgment that ordered an injunction and damages on the ground of trade secret infringement under California law.

Background

Anastasia Beverly Hills, Inc is a corporation existing under the law of the state of California. It had a technique and information relating to treatment of eyebrows called X Technical Service. The Civil Code of the State of California defines the unauthorised acquisition, disclosure or use of a trade secret as "misappropriation" (Section 3426.1(b)), and provides that [i] damages may be recovered (Section 3426.3) and [ii] actual or threatened misappropriation may be enjoined (Section 3426.2 (a)). The technique falls within the definition of trade secret in accordance with the Civil Code of the State of California.

Anastasia entered into an agreement with Company A, a Japanese corporation, under which Anastasia would grant Company A an exclusive licence to use the technique in Japan. According to this agreement, Anastasia disclosed the technique to the employees of Company A. Thereafter, the employees established LuyVie, Inc, left Company A and used the eyebrow treatment technique.

In May 2007, Anastasia sued the employees and LuyVie in the US District Court for the Central District of California (CDCA) to seek damages for their unauthorised disclosure and use of the tech-



nique and an injunction to enjoin this act under the Civil Code (case number 2008 CV07-3008-GHK (AJWx)). In October 2008, the CDCA rendered a judgment enjoining the defendants from committing the unauthorised disclosure and use of the technique in Japan and the United States, in addition to ordering the payment of damages for that act.

Anastasia sued the defendants in the Tokyo District Court seeking an execution judgment for the US judgment excluding a punitive damages order. Here, whether the following requirement is satisfied became an issue: "The jurisdiction of the foreign court is recognised under laws or regulations or conventions or treaties." (Article 24 (3) of the Civil Execution Act and Article 118 (i) of the Code of Civil Procedure)

Tokyo District Court and Tokyo High Court

In its judgment of April 15 2010, the Tokyo District Court held that "The jurisdiction of the foreign court is recognised under laws or regulations or conventions or treaties" means that the country to which the foreign court belongs is positively recognised as having international jurisdiction (indirect jurisdiction) over the case in light of the principles of the international code of civil procedure in Japan. In a tort action, an objective fact of tort within the country of the judgment must be proved. Here, as an objective fact such as a tortious act or damages had not been proven, the CDCA did not have indirect jurisdiction and the US judgment could not be executed.

In the judgment of May 11 2011, the Tokyo High Court also dismissed Anastasia's claim saying that Anastasia had not

proved damage was caused in the United States. Anastasia appealed to the Supreme Court.

Supreme Court

In the judgment of April 24 2014, the Supreme Court held that for the international jurisdiction over an injunction claim based on a tort action to be granted, it is sufficient to prove as an objective fact that an act violating the plaintiff's right or interest is likely to be committed by the defendant in the country of the judgment or that the plaintiff's right or interest is likely to be violated in the country of the judgment. It is not necessary that the defendant has actually committed in the country of the judgment an act violating the plaintiff's right or interest, or the plaintiff's right or interest has actually been violated in the country of the judgment. Taking into account the fact that the US judgment enjoined the defendants from committing the wrongful act not only in Japan but also in the United States, there is room in this case to recognise indirect jurisdiction over the injunction order of the CDCA if Anastasia proves as an objective fact that an act violating Anastasia's right or interest is likely to be committed by the defendants in the United States or that Anastasia's right or interest is likely to be violated in the United States. Furthermore, there may also be room to recognise indirect jurisdiction in respect of the part of the US judgement that ordered the payment of damages, based on jurisdiction over the joint claim. The Supreme Court quashed the judgment of the Tokyo High Court and remanded the case.

Practical tips

The difference between the Tokyo District Court or Tokyo High Court and the Supreme Court is attributed to the degree of proof of an objective fact. While the Tokyo District Court or Tokyo High Court requires that an act violating plaintiff's right or interest, or an actual damage should be proved, the Supreme Court held that it is sufficient to prove an objective fact that the plaintiff's right or interest *is likely to be violated* in the country of the judgment in the injunction claim. The Supreme Court further held that jurisdiction over a joint claim may be granted over a damage claim. Now, in the Japanese court, a foreign company can enjoy an execution of the injunction order of the foreign judgment by proving that its trade secret is likely to be infringed in its country when its trade secret is disclosed and used without authorisation across the border. It should be noted, however, that if the plaintiff claims only damages, it is insufficient to prove likelihood since the provision of jurisdiction over the joint claim does not apply.

According to Judge Takabe, what "an objective fact that the plaintiff's right or interest is likely to be violated in the country of the judgment" means and what facts should be proven must be further discussed. The remanded judgment should be watched closely.